FH FAULDING & CO LTD & ANOR

v.

BRISTOL-MYERS SQUIBB COMPANY & ANOR

HIGH COURT MALAYA, KUALA LUMPUR
STEVE SHIM J
[SUIT NO: D5-22-661-1999]
13 DECEMBER 1999

CIVIL PROCEDURE: *Pleadings - Setting aside - Striking out - Setting aside writ and statement of claim under O. 12 r. 7 Rules of the High Court 1980 ('RHC') - Striking out statement of claim under O. 18 r. 19(1)(a) RHC - Whether based on same principles - Whether plaintiff's claim wholly unarguable - Whether obviously unsustainable*

The plaintiffs had instituted an action against the first defendant and second defendant, the owner and licensee respectively of Malaysian patent no. 109862-A, *inter alia* for an invalidation order and a declaration that they had not infringed the said patent. The second defendant contended that the plaintiffs had no cause of action against it as no triable issues had arisen between it and the plaintiffs, and in the event applied to set aside the plaintiffs' writ and statement of claim under O. 12 r. 7 Rules of the High Court 1980 ('the RHC'), and also to strike out the said statement of claim under O. 18 r. 19(1)(a) RHC. These apart, the second defendant also contended that there was no legal basis for the plaintiffs to have included it as party to the proceedings, and that its inclusion herein constituted a misjoinder of party for which O. 15 r. 6(2) RHC applied. The plaintiffs opposed the application. *Inter alia,* the plaintiffs argued that the second defendant is a proper party as: (i) the second defendant could invoke s. 61 of the Patents Act 1983 and commence proceedings against the plaintiffs for alleged infringement of the patent; (ii) the second defendant was an agent of the first defendant in Malaysia; and (iii) the second defendant, being the seller and distributor of the patented drug in question, had substantial interest in the subject-matter of the action. The learned Senior Assistant Registrar ('SAR'), subscribing to the plaintiffs' arguments, dismissed the second defendant's application whereupon the second defendant appealed.

Held:

[1] An application to set aside a writ under O. 12 r. 7 RHC is based on the same principles as in an application to strike out a writ or other pleading under O. 18 r. 19 RHC. Quite clearly, therefore, there is a legal burden on the second defendant in the instant application to show that the plaintiffs' claim is wholly unarguable against the second defendant, *ie* that it is plain and obvious that, on the face of it, the claim is unsustainable.

[2] There is insufficient merit in the application. Bearing in mind the affidavits, and the arguments of the parties, the second defendant has failed to satisfy the court that the plaintiffs' claim against it in this action is wholly unarguable or obviously unsustainable.

[Appeal dismissed; decision of SAR affirmed.]

Case(s) referred to:
Bandar Builders Sdn Bhd & Ors v. UMBC Bhd [1993] 3 MLJ 36 ***(refd)***
Dato' Param Cumaraswamy v. MBF Capital Bhd [1998] 1 CLJ 1 ***(refd)***
Monateach (M) Sdn Bhd v. Jasa Keramat Sdn Bhd [1999] 4 MLJ 629 ***(refd)***
Sanbu (M) Sdn Bhd v. Stone World Sdn Bhd & Anor [1997] 1 CLJ 775 ***(refd)***

Legislation referred to:
Patents Act 1983, ss. 56(1), 61, 62(1)
Rules of the High Court 1980, O. 12 r. 7, O. 15 r. 6(2)(a), O. 18 r. 19(1)(a), (b), (c), (d)

For the plaintiffs - Ong Boo Seng; M/s Shook Lin & Bok
For the 2nd defendant - KK Peh; M/s Shearn Delamore & Co

Reported by WA Sharif

JUDGMENT

Steve Shim J:

This is an appeal by the 2nd defendant against the decision of the learned senior assistant registrar dismissing with cost its application to set aside the plaintiffs' writ of summons and statement of claim under O. 12 r. 7 RHC and to strike out the said statement of claim under O. 18 r. 19 RHC. It is also made pursuant to O. 15 r. 6 RHC for misjoinder. The application is opposed by the plaintiffs. It is to be noted that although the application does not *ex facie* indicate which limb of O. 18 r. 19 RHC it falls under, there is sufficient indication as reflected in the submission of counsel for the 2nd defendant that it is relying on the first limb under O. 18 r. 19(1)(a) RHC. I make particular mention of this because there are authorities which

have established that an applicant cannot invoke the various limbs falling under O. 18 r. 19(1)(a), (b), (c) and (d) RHC on a cumulative basis by lumping them together: (see *Sanbu (M) Sdn Bhd v. Stone World Sdn Bhd & Anor* [1997] 1 CLJ 775; *Monateach (M) Sdn Bhd v. Jasa Keramat Sdn Bhd* [1999] 4 MLJ 629). It is also to be noted that on the plea for misjoinder, the 2nd defendant is in fact invoking O. 15 r. 6(2)(a) RHC.

Now, in *Dato Param Cumaraswamy v. MBF Capital Bhd* [1998] 1 CLJ 1; [1997] 3 MLJ 824, it was held by the Court of Appeal that an application to set aside a writ under O. 12 r. 7 RHC is based on the same principles as in an application to strike out a writ or other pleading under O. 18 r. 19 RHC. These principles have been succinctly restated by the Supreme Court in *Bandar Builders Sdn Bhd & Ors v. UMBC Bhd* [1993] 3 MLJ 36 when Mohamed Dzaiddin SCJ said *inter alia*:

> The principles upon which the Court acts in exercising its power under any of the four limbs of O. 18 r. 19(1) of the RHC are well settled. It is only in plain and obvious cases that recourse should be had to the summary process under this rule (per Lindley MR in *Hallbuck & Sons Ltd v. Wilkinson, Heywood & Clark Ltd*) and this summary procedure can only be adopted when it can clearly be seen that a claim or answer is, on the face of it, obviously unsustainable (see *AG of Duchy of Lancaster v. L & NW Rly Go*). It cannot be exercised by a minute examination of the documents and facts of the case in order to see whether the party has a cause of action as a defence: (see *Wenlock v. Moloney & Ors*) ... The Court must be satisfied that there is no reasonable cause of action or that the claims are frivolous or vexatious or that the defences raised are not arguable.

Quite clearly, there is a legal burden on the 2nd defendant in the instant application, to show that the plaintiffs' claim is wholly unarguable against the 2nd defendant ie, that it is a plain and obvious case that, on the face of it, the claim is obviously unsustainable. In this connection, the 2nd defendant has focussed its application on the basis that there are no causes of action as there are no issues to be tried as between the plaintiffs and the 2nd defendant in this case. More specifically, it is contended that the following issues, namely, (1) invalidation of Malaysian patent No. 109862-A; (2) declaration of non-infringement and (3) threats of infringement, raised by the plaintiffs against the 2nd defendant are non-issues or issues which are not triable. In respect of issues (1) and (2) above, the thrust of the 2nd defendant's case is similar ie, that they do no involve the 2nd defendant as the 2nd defendant is not the owner of the Malaysian patent in question. Here, counsel for the 2nd defendant has drawn attention to the provisions of s. 56(1) and s. 62(1) of the Patents Act 1983. Section 56(1) states:

> Any aggrieved person may institute court proceedings against the **owner of the patent** for the invalidation of the patent.

And s. 62(1) states:

> Subject to subsection (4), any interested person shall have the right to request, by instituting proceedings against the **owner of the patent** that the court declare that the performance of a specific act does not constitute an infringement of the patent.

According to him, the operative words "owner of the patent" in s. 56(1) and s. 62(1) above are significant as they underscore the legal limits of an aggrieved or interested person in instituting court proceedings for invalidation of a patent or for declaration of non-infringement. Counsel further contends that the instant proceedings for validation of Malaysian patent number 109862-A only involves the 1st defendant, drawing particular attention to the averment contained in para. 25 of the statement of claim which states:

> The Plaintiffs aver that each of them is an aggrieved person and are entitled to institute proceedings against the 1st defendant for the invalidation of the Malaysian patent.

And in respect of the proceeding for declaration of non-infringement, counsel refers to para. 27 of the statement of claim which states:

> The Plaintiffs and each of them are/is an interested person entitled to institute proceedings against the 1st Defendant as the owner of the Malaysia patent and the 2nd Defendant as a licensee of the Malaysian patent and/or distributor of Taxol for a declaration that importation, distribution, supply, sale and/or offer to supply or sale of buzatax do not constitute an infringement of the Malaysian patent under Section 62 of the Patents Act, 1983.

In the circumstances, it is the 2nd defendant's case that issues (1) and (2) aforesaid are non-issues as between the plaintiffs and the 2nd defendant as there is no legal basis to include the 2nd defendant as a party in the proceedings and that its inclusion constitutes a misjoinder of party for which O. 15 r. 6(2)(a) RHC is applicable. In respect of issue (3) on the alleged threat of infringement, counsel has contended that it is not a serious issue to be tried because on the plaintiffs' own admissions in their statement of claim and the affidavit-in-reply, the alleged threat was made by the 1st defendant and not by the 2nd defendant and that there is no evidence whatsoever to indicate or suggest that the 2nd defendant would be likely to issue any threat and/or warning concerning infringement of the

Malaysian patent in question. In the final analysis, it is the 2nd defendant's stand that the plaintiffs' statement of claim does not raise any cause of action against the 2nd defendant on this score.

Now, the main thrust of the plaintiffs rebuttal centres on their contention that the 2nd defendant is a proper party to this action. Several factors have been canvassed. First, it is contended that the 2nd defendant being a licensee of the patentee (1st defendant), it can invoke s. 61 of the Patents Act which confers a right on a licensee to move or request the owner of the patent to institute proceedings for any infringement thereof and if the owner refuses or fails to do so within three months from receipt of the request the licensee can then institute proceedings on its own. In this case, the plaintiffs say that they are fearful or apprehensive that, by virtue of s. 61 aforesaid, the 2nd defendant is likely to commence proceedings against them for alleged infringements of the Malaysian patent No. 109862-A. This fear or apprehension seems to have been exacerbated by a number of patent infringement proceedings instituted by the 1st defendant abroad in Australia, United Kingdom and The Netherlands. Secondly, it is alleged that as the 1st defendant has substantial shareholding in the 2nd defendant, it has therefore effective control of the decision making process of the 2nd defendant and that, in effect, the 2nd defendant is the agent of the 1st defendant in Malaysia. Thirdly, it is also alleged that as the seller and distributor of the drug "Taxol" in Malaysia as reflected in the price list dated 1 April 1999 and a copy of the Master Index Medical Specialist Annual Malaysia 1997/98, exhibited as "FH2" (encl. 13), the 2nd defendant has therefore substantial interest in the subject-matter of this action. In expanding on the above, counsel for the plaintiffs submits that the presence of the 2nd defendant is necessary to ensure that all matters in dispute are effectually and completely determined and adjudicated by the court in the present action. He further submits that there are common questions of law and fact on issues relating to the rights and liabilities of the plaintiffs *vis-a-vis* the 1st and 2nd defendants arising out of and in connection to the Malaysian Patent No. 109862-A.

Having perused the affidavits filed both in support of and in opposition to the application and having had the benefit of reading the submissions of learned counsels for the parties concerned, I have come to the conclusion that there is insufficient merit in the application. Here, I would accept, in substance, the contentions canvassed by the plaintiffs. In my view, the 2nd defendant has failed to satisfy the court that the plaintiffs' claim against the 2nd defendant in this action is wholly unarguable or obviously unsustainable. In the circumstances, I agree with the decision of the learned senior assistant registrar and accordingly, this appeal is dismissed with cost.